

2003 PRIVATE ORGANIZATION GUIDE

IN COMPLIANCE WITH AFI-34-223



THIS BOOKLET PROVIDES
INFORMATION AND SAMPLE
DOCUMENTS FOR ORGANIZATIONS
TO BECOME OFFICIALLY RECOGNIZED
PRIVATE ORGANIZATIONS (POS)
ON AIR FORCE INSTALLATIONS

USAF
SERVICES
Combat Support & Community Service

TABLE OF CONTENTS

	<u>PAGE</u>
A. DEFINITION/AUTHORITY	2
B. OVERSIGHT	3
C. INSTALLATION COMMANDER RESPONSIBILITIES	4
D. SERVICES COMMANDER/DIVISION CHIEF RESPONSIBILITIES	5
E. FINANCIAL MANAGEMENT	6
F. AUDIT REQUIREMENTS	7
G. OPERATING POLICIES	8-11
H. LOGISTICAL SUPPORT	12
I. DISSOLUTION	13
J. OPTIONAL COMPUTER SOFTWARE	14
K. ATTACHMENT 1 - SAMPLE CONSTITUTION & BYLAWS	15-16
L. ATTACHMENT 2 - SAMPLE BUDGET	17
M. ATTACHMENT 3 - BALANCE SHEETS	18-19
N. ATTACHMENT 4 - INCOME & EXPENSE STATEMENTS	20-22

OPR: Ms Cathy Edmonds
HQ AFSVA/SVPCO
DSN 487-4198 (Comm 210-652-4198)
Email: cathy.edmonds@agency.afsv.af.mil

DEFINITION/AUTHORITY

- This booklet provides information and sample documents for organizations to become officially recognized Private Organizations (POs) on Air Force installations
- POs are self-sustaining, special interest groups set up by people acting exclusively outside the scope of any official capacity as officers, employees or agents of the federal government. POs are not Federal entities and are not treated as such
- They are not Nonappropriated Fund (NAF) instrumentalities, nor are they entitled to the sovereign immunities and privileges enjoyed by NAF instrumentalities, Appropriated Funds (APF) or the Air Force
- They operate on Air Force installations with the written consent of the installation commander
- Unofficial activities/organizations are small groups of individuals that are not required to be formally established as POs because their current assets (including cash, investments, inventory and receivables) do not exceed a monthly average of \$1,000 over a 3-month period
- Air Force Instruction (AFI) 34-223, *Private Organization (PO) Program*, is the governing policy for establishing POs and contains guidance on their operation and the operation of unofficial activities/organizations. Compliance with this AFI is mandatory

OVERSIGHT

- **HQ USAF/ILV sets policy and provides oversight for POs on Air Force installations**
- **HQ AFSVA issues implementing procedures and gives operational guidance to POs**
- **MAJCOMs and bases implement the policy and guidance**
- **Installation commanders authorize POs to operate on their installations**
 - **Provide oversight to ensure compliance with Air Force policy**
 - **Provide limited supervision**
 - **Also provide oversight of unofficial activities/organizations**
- **Services commander/division chief monitor installation POs and unofficial activities/organizations**

INSTALLATION COMMANDER RESPONSIBILITIES

- **Authorizes POs to operate on the installation**
 - **Only those that make a positive contribution in terms of morale and service**
- **Ensures compliance with AFI 34-223, *Private Organization (PO) Program***
 - **Does not control or dictate internal PO activities or structure**
- **Withdraws authorization for a PO to operate**
 - **When no longer making a positive contribution to the installation**
 - **For not complying with the requirements of AFI 34-223 or other applicable directives**
 - **For any other just cause**
- **Approves requests for occasional fund raising activities (may delegate to the Services commander/division chief)**
- **Designates the Services commander/division chief to monitor and advise on PO and unofficial activity/organization activities**
- **May delegate these responsibilities to the Mission Support Group commander**

SERVICES COMMANDER/DIVISION CHIEF

- **Monitors POs and unofficial activities/organizations**
- **Advises PO officers**
- **Has Resource Management Flight Chief (RMFC) maintain a file on each PO and reviews annually. Ensures required documents are up to date (as required)**
- **As a minimum, files must contain:**
 - **Constitution and By-laws (example Atch 1)**
 - **Revalidation letters showing dates of review**
 - **Financial statements/reviews, audit reports**
 - **Minutes of meetings**
 - **Proof of required insurance or appropriate waiver**
 - **Current list of officers and points of contact**
 - **Tax exempt approval from the IRS (if applicable)**
 - **Other documentation required by MAJCOM and/or Installation Commander and approved waivers**
- **Reviews requests for occasional fundraisers prior to forwarding to the installation commander for approval/disapproval (unless delegated)**
 - **Includes occasional fund raising raffles (see specific limitations in AFI 34-223, paragraph 10.16)**
- **Ensures detailed procedures are established in by-laws to notify members of personal liability and for disposition of cash and assets upon dissolution of the PO**

FINANCIAL MANAGEMENT

- POs should ensure their goals and objectives are properly identified and their assets are properly controlled and programmed. Tools used in management budgets and financial statements are:
 - **Budgets** (example Atch 2)
 - Are logical detailed plans for operations that should occur, expressed in dollars for the year (may be broken out by month or quarter)
 - Reflect projected activities (income & expense) as well as capital purchase equipment/property
 - Establish financial objectives to generate sufficient income to cover planned expenses
 - Are comprehensive, realistic, and subject to revision
 - Consolidated budgets may be comprised of separate detailed income and expense projections
 - Comparing with actual financial statement is an excellent management performance indicator
 - **Financial Statements**: Documents reflecting accounting for monetary events that have occurred
 - **Balance Sheets**: Account for total assets (e.g., cash, accounts receivable, property, etc.) and are statements of financial condition (assets versus liabilities and net worth) at a point in time (example Atch 3)
 - **Income and Expense Statements**: Provide financial breakdown of revenue (e.g., dues, sales, fees, etc.) and expenditures (e.g., donations, publicity, awards, luncheons, etc.) for the period, usually monthly (example Atch 4)
 - **Cash Accounting**: Revenues are recorded when cash is received, expenses are recorded when paid
 - **Accrual Accounting**: Revenues are recorded when earned, without regard to when cash is received; expenses are recorded as obligations are incurred, without regard to when they are paid
- Size and complexity of statements vary significantly depending on total dollars generated and expended by the PO

AUDIT REQUIREMENTS

- **Gross annual revenues more than \$5,000, but less than \$100,000**
 - **Submit annual financial statements to the Services RMFC not later than 20 days following the end of the PO's fiscal year**
 - **Installation commander may require more frequent submissions**
- **Gross annual revenues of \$100,000 or more, but less than \$250,000**
 - **Financial review performed by an accountant**
 - **Written verification of accounting information by competent authority knowledgeable in financial reporting methods**
 - **Paid with PO funds and conducted annually**
- **Gross annual revenues of \$250,000 or more**
 - **Audit performed by a Certified Public Accountant (CPA)**
 - **CPA: An accountant who has met special requirements of a state and hold a CPA license. Use of a Certified Government Financial Manager is authorized in overseas locations when unavailability of a CPA is documented through the Services RMFC**
 - **An official examination and verification of financial accounts and records**
 - **Results in the expression of an opinion regarding financial statement presentation**
 - **Paid with PO funds and conducted annually**
- **Internal control procedures established by POs can provide "checks and balances"**
 - **Areas normally reviewed: Adequate segregation of duties, proper procedures for authorizations, adequate documents and records, physical control over assets and records, and independent checks on performance**
- **Installation commanders may request an audit by the Air Force Audit Agency to protect Air Force interests if there are signs of fraud or other improprieties**

OPERATING POLICIES

- A PO must submit written constitution and by-laws and other similar documents, outlined on page 5, through the Services RMFC, Services squadron commander/division chief, and Staff Judge Advocate for consideration by the installation commander. See AFI 34-223, paragraph 9, for specific requirements
- POs may use the name or abbreviation of a DoD component, organizational unit, or installation in its name provided it takes steps to ensure its status as a PO is apparent and unambiguous, and to prevent the appearance of official sanction or support by the Air Force. The following applies:
 - The PO must have prior approval to use the name or abbreviation
 - The installation commander's approval of PO establishment, operation, and governing documents is normally sufficient to document prior approval
 - To use the name or abbreviation of a MAJCOM or MAJCOM-level organizational unit, approval of the MAJCOM/CC or designee is also required
 - To use the name or abbreviation of the Air Force or an Air Force-level organizational unit, HQ USAF/ILV approval is also required
 - A PO will not utilize the name or material part of the name of any Air Force NAFI, e.g., Morale, Welfare, and Recreation (MWR) Fund, Lodging Fund, etc., on the PO's letterhead, correspondence, or in its title
 - Any use of the name or abbreviation of a DoD component, organizational unit, or installation must not mislead members of the public to assume a PO is an organizational unit of DoD
 - POs must prominently display the following disclaimer on all print and electronic media which mentions the PO's name confirming that the PO is not a part of DoD: "This is a private organization. It is not a part of the Department of Defense or any of its components and it has no governmental status"
 - This disclaimer must also be provided in verbal communication and public announcements when a PO's name is mentioned

OPERATING POLICIES (CON'T)

- A PO may not use the seal, logo, or insignia of the DoD, a military department or military service, organizational unit, or installation on the PO's letterhead, correspondence, or in it's title**
- POs may not discriminate in hiring practices or membership policies on the basis of age, race, religion, color, national origin, disability, ethnic group, or gender**
- POs may organize around a cultural or ethnic focus as long as they do not restrict their membership on the basis of culture or ethnicity**
- POs may not haze or harass (either physically or mentally) as part of their initiation rites**
- Religiously oriented POs may be authorized to operate on an installation with limitations (see AFI 34-223, para 10.4.1 – 10.4.5)**
- POs must be self-sustaining, primarily through dues, contributions, service charges, fees, or special assessments of their members**
- Income must not accrue to individual members except through wages and salaries for PO employees or other payment for services rendered**
- Financial assistance may not be provided by NAFs, e.g., contributions, dividends, or donations of money of other assets**
- POs and unofficial activities/organizations will not engage in activities that duplicate or compete with AAFES or Services activities**
- POs and unofficial activities will not operate amusement machines, slot machines, or any other games of chance; nor will they engage in frequent or continuing resale activities either directly, through third parties, or in their media (e.g. newsletters, handouts, posters, special-order brochures, websites, etc.).**
 - The prohibition against frequent or continuous resale does not preclude collective purchasing and sharing of purchased items by members of the POs or unofficial activities/organizations so long as there is no actual resale**
 - Installation commanders may authorize continuous resale Thrift Shop sales operations**

OPERATING POLICIES (CON'T)

- Installation commander may authorize “occasional” sales for fund raising purposes which the PO or unofficial activity/organization conducts directly, through a third party, or in its media (may delegate approval authority to Services commander/division chief)**
 - For example, bake sales, dances, carnivals, car washes or similar functions**
 - “Occasional” is defined as not more than two (2) fund raising events per calendar quarter**
- The occasional sales limitation does not apply to PO sales of Air Force Schools or unit souvenirs or memorabilia to members of the school or unit involved provided AAFES and Services resale activities elect not to provide this service and the PO chartering documentation authorizes resale under these circumstances**
- POs and unofficial activities/organizations operating on an AF installation are prohibited from engaging in any conduct which has the effect of advertising for, making referrals to, or encouraging use of any commercial business concerns. The only exception to this policy is when a PO or unofficial activity conducts an approved fund-raising event through a third-party (e.g., the spouses club conducts and art sale as an approved fund raiser and contracts with an art dealer (third party) to provide the artwork to be sold)**
- POs are not authorized to sell alcoholic beverages**
- POs and unofficial activities/organizations may not use the MWR Commercial Sponsorship Policy**
 - Services may not co-sponsor events with POs or unofficial activities/organizations for the purpose of obtaining commercial sponsorship, contributions or donations, gifts, advertising or generating revenue for the PO**
- POs will not solicit gifts or donations from non-members of the POs on the installation**
- POs and unofficial activities/organizations may be beneficiaries of gifts and donations**
- POs will not provide on-base advertising in exchange for gifts and donations (this does not preclude a PO from acknowledging a gift or donation by letter or during an on-base event or ceremony benefiting from the gift or donation)**

OPERATING POLICIES (CON'T)

- POs and unofficial activities/organizations may not conduct games of chance, lotteries, raffles, or other gambling-type activities except as provided in AFI 34-223, paragraph 10.16
- POs are required to have liability insurance, unless waived by the installation commander (waiver authority may be delegated to Mission Support Group Commander after coordination with the base legal office)
 - POs for which waivers have been granted may be required to obtain insurance for certain special events which involve greater risk of injury or damage
 - Forward all waiver requests through the base legal office prior to approval
 - Insurance waivers must be reevaluated annually
- POs must notify Services Commander/Division Chief of key officer changes
- Liability
 - PO members must be aware that they are jointly and severally liable for obligations of the PO and their understanding of this liability must be documented
- Bonding
 - The treasurer is a sensitive function, especially if handling/controlling large amounts of cash
 - Bonding is not required, but should be considered
 - Consider cost of bonding versus potential dollar risk
- POs must advise Services commander/division chief of any signs of fraud or other improprieties
- Tax Exempt Status
 - POs must comply with all applicable federal, state, local, and foreign laws governing like civilian activities
 - Tax exempt status is the responsibility of the PO to acquire if eligible and desired

OPERATING POLICIES (CON'T)

- Federal information can be obtained from the Regional IRS Office**
- State information can be obtained from the applicable State Taxing Authority**

LOGISTICAL SUPPORT

- **POs must furnish their own equipment, supplies, and other materials**
- **Neither APFs nor NAFs will be used to support POs**
- **POs may be provided space for meetings of a reasonable duration and frequency subject to the following:**
 - **POs must reimburse for services (to include utilities) when they use a facility or space on an other-than-occasional basis unless a separate directive or instruction authorizes non-reimbursable support**
 - **Thrift Shops operated by spouses clubs are exempt from the requirement to pay utilities**
 - **POs must reimburse for any additional costs incurred by the Air Force resulting from such use, e.g., incremental increases in maintenance and janitorial expenses**
 - **The Air Force mandates an approved outgrant when a PO has exclusive use of a facility, space, or land area.**
- **POs in oversea areas can request additional support such as reimbursable transportation services; commissary, Armed Forces postal service, exchange, and recreational activity privileges; reimbursable space-available hospitalization, medical, and dental care; and dependent school service.**
 - **Request must be forwarded through the installation commander to the MAJCOM/SV**
- **Newly elected officers/treasurer should consult the Services RMFC or Services commander/division chief for guidance and training on local installation requirements**

DISSOLUTION

- In case of dissolution, funds in the treasury will be used to satisfy any outstanding debts, liabilities, or obligations
- The balance of assets will be disposed of as determined by the PO membership
 - Must be included in the constitution and by-laws
 - Examples include donation of residual assets to the installation morale, welfare, and recreation fund or contribution to an off-base charity (disposition must not reflect unfavorably upon the PO or the Air Force)
- POs should notify the Services commander/division chief prior to dissolution. Guidelines to consider prior to dissolution:
 - Prepare a time-phased plan of action to terminate operations. Revise budget if necessary
 - Limit expenditures to those required to liquidate liabilities and pay essential bills
 - PO assets will not be split among members or sold exclusively to members at dissolution. However, assets could be sold at a base-wide sale.
 - Notify vendors of dissolution and cancel outstanding orders
- All records and documentation in the possession of the PO remain property of the PO
- Any unpaid obligations remain the responsibility of PO members

OPTIONAL COMPUTER SOFTWARE

- Larger organizations may consider purchasing software that can perform accounting, print financial reports and checks, maintain cash balances, track reports, etc.
- A variety of computer software programs that are user friendly and relatively inexpensive are available
- Although not officially endorsed by the Air Force, many spouse clubs use "Quicken."
- Consult your local computer retailer to determine which program suits the PO needs. If additional help is required, consult the Services commander/division chief

**ATTACHMENT 1
SAMPLE FORMAT**

CONSTITUTION AND BY-LAWS

Constitution
(Organization Title)

Article 1

Name and Purpose

(NOTE: The seal, logo, or insignia or the like of the Department of Defense, any military department or military service, organizational unit, installation, or a NAFI may not be used on the PO's letterhead, correspondence, or in its title – see AFI 34-223, paragraph 10.1.)

Article 2

General Provisions

(Include the following paragraphs as separate sections of Article 2 as appropriate)

Section

The (organization) operates on (name of installation) only with the consent of the installation commander. Operation is contingent on compliance with the requirements and conditions of all applicable Air Force regulations.

Section (Paragraph below Required)

The members are jointly and severally liable for the obligations of the PO and they will be informed of this liability. Each member will be required to acknowledge his or her understanding of this liability in writing.

Article 3

Officers and Governing Body

Article 4

Membership

(Include membership eligibility (should be primarily limited to members of the DoD community))

Article 5

Method of Financing

(Include all proposed sources of income)

Article 6

Activities

Article 7
Meetings and Quorums

Article 8
Adoption and Amendments
(Include “subject to final review by the installation commander.”)

Article 9
Dissolution
(Include the following paragraph as a separate section of Article 9)

Section (Paragraph below required)

In case of dissolution of the organization, funds in the treasury at the time will be used to satisfy any outstanding debts, liabilities, or obligations. The balance of the assets will be disposed of as determined by the membership.

Article 10
Insurance
(Required)

SAMPLE BYLAWS

Article 1
Duties of Officers

Article 2
Election and Voting

Article 3
Dues and Fees

Article 4
Standing Committees

Article 5
Finances and Taxes

Article 6
Insurance Coverage

Article 7
Awards/Gifts

Attachment 2
Spouses' Club
Proposed Budget
For the Month of September, 2003

Income

	Prior Year Actual	This Year Budget	Next Year Budget
Membership Dues	8,000	8,200	10,000
Savings Account interest	360	320	360
Ways & Means			
Art Auction	1,500	2,000	2,100
Bazaar	3,300	4,000	4,200
Christmas Ball	2,880	3,000	3,200
Luncheons/Dinners	2,400	2,880	3,000
Special Fund Raiser	13,000	13,000	13,000
Other	0	200	0
Thrift Shop	24,000	23,000	24,000
Tours	7,000	5,000	0
Misc.	20	50	50
Total Income & Receipts	\$62,460	\$61,650	\$59,960

Expenses

Ways & Means			
Art Auction	1,100	1,500	1,600
Bazaar	2,800	3,500	3,600
Christmas Ball	2,500	2,700	2,900
Luncheons/Dinners	2,000	2,300	2,400
Special Fund Raiser	4,000	3,200	4,000
Other	0	80	20
Thrift Shop	19,000	18,400	19,200
Tours	6,500	4,500	0
Protocol	200	240	250
Publicity	200	240	250
Donations			
Scholarships	10,000	10,000	11,000
Air Force Village	4,000	4,000	4,200
Base Youth Center	5,000	5,000	5,100
Community Charities	400	400	500
Awards	200	210	220
Treasurer	50	55	60
Recording Secretary	50	50	60
Miscellaneous	420	600	600
Total Expenses & Distributions	\$58,420	\$56,975	\$55,960
Net Income (Loss)	\$4,040	\$4,675	\$4,000

Attachment 3a
Spouses' Club
Statement of Cash Position
For the Month of September, 2003
(Cash Basis)

	This Month Ending Balance	Last Month Ending Balance	This Month Increase/(Decrease)
<u>Assets</u>			
Cash	\$8,100	\$6,880	\$1,220
Checking	6,600	5,620	980
Savings			
<u>Total Assets</u>	\$14,700	\$12,500	\$2,200

Attachment 3b
Spouses' Club
 Balance Sheet
 For the Month of September, 2003
(Accrual Basis)

	This Month Ending Balance	Last Month Ending Balance	This Month Increase/ (Decrease)
<u>Assets</u>			
Cash	8,100	6,880	1,220
Checking	6,600	5,620	980
Savings	0	0	-
Accounts Receivable	50	150	(100)
Dues	400	0	400
Art Auction	200	900	(700)
Bazaar	0	0	0
Christmas Ball	200	200	0
Luncheons/Dinners	900	600	300
Special Fund Raiser	0	0	0
Prepaid Expenses	150	150	-
Total Assets	\$16,600	\$14,500	\$2,100
<u>Liabilities</u>			
Accounts Payable			
Art Auction	300	150	150
Bazaar	200	700	(500)
Christmas Ball	0	0	0
Luncheons/Dinners	220	200	20
Special Fund Raiser	180	450	(270)
Other	0	0	0
Prepaid Revenues	2,600	1,000	1,600
Total Liabilities	\$3,500	\$2,500	\$1,000
Fund Equity (Net Worth)	\$13,100	\$12,000	\$1,100
Total Liabilities & Fund Equity	\$16,600	\$14,500	\$2,100

Attachment 4a
Spouses' Club
Monthly Income and Expense Statement
For the Month of September, 2003
(Cash Basis)

	This Month	This Year To-Date
<u>Income</u>		
Membership Dues	780	5,800
Savings Account Interest	30	240
Ways & Means		
Art Auction	1,700	1,700
Bazaar	700	3,900
Christmas Ball	0	0
Luncheons/Dinners	240	2,000
Special Fund Raiser	700	8,100
Other	90	200
Thrift Shop	2,000	17,800
Tours	1,600	2,600
Misc.	-	50
Total Income & Receipts	\$7,840	\$42,390
<u>Expenses</u>		
Ways & Means		
Art Auction	1,200	1,200
Bazaar	500	3,200
Christmas Ball	0	100
Luncheons/Dinners	180	1,600
Special Fund Raiser	620	2,700
Other	30	60
Thrift Shop	1,700	14,400
Tours	0	200
Protocol	20	120
Publicity	20	120
Donations		
Scholarships	0	10,000
Air Force Village	0	3,000
Base Youth Center	1,000	3,000
Community Charities	200	200
Awards	100	100
Treasurer	10	90
Recording Secretary	10	30
Miscellaneous	50	450
Total Expenses & Distributions	\$5,640	\$40,570
Net Income (Loss)	\$2,200	\$1,820

Attachment 4b
Spouses' Club
Monthly Income and Expense Statement
For the Month of September, 2003
(Accrual Basis)

<u>Income</u>	This Month	This Year To-Date
Membership Dues	680	6,000
Savings Account Interest	30	240
Ways & Means		
Art Auction	2,100	2,100
Bazaar	0	4,100
Christmas Ball	0	0
Luncheons/Dinners	240	2,080
Special Fund Raiser	1,000	9,000
Other	90	200
Thrift Shop	2,000	17,800
Tours	0	0
Misc.	-	50
Total Income & Receipts	\$6,140	\$41,570
<u>Expenses</u>		
Ways & Means		
Art Auction	\$ 1,350	\$ 1,500
Bazaar	0	3,400
Christmas Ball	0	100
Luncheons/Dinners	200	1,600
Special Fund Raiser	350	2,800
Other	30	60
Thrift Shop	1,700	14,400
Tours	0	200
Protocol	20	120
Publicity	20	120
Donations		
Scholarships	0	10,000
Air Force Village	0	3,000
Base Youth Center	1,000	3,000
Community Charities	200	200
Awards	100	100
Treasurer	10	90
Recording Secretary	10	30
Miscellaneous	50	450
Total Expenses & Distributions	\$5,040	\$41,170
Net Income (Loss)	\$1,100	\$400